

Members

Sen. Joseph Zakas, Chair
Sen. Lindel Hume
Sen. Larry Lutz
Sen. Charles Meeks
Sen. Frank Mrvan
Sen. John Waterman
Rep. Gary Cook, Vice-Chair
Rep. Dennis Avery
Rep. Jack Lutz
Rep. Ed Mahern
Rep. Richard Mangus
Rep. Matt Whetstone



INTERIM STUDY COMMITTEE ON STATE ADMINISTRATION ISSUES

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MEETING MINUTES¹

Meeting Date: August 16, 2000
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Room 233
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Joseph Zakas, Chair; Sen. Charles Meeks; Sen. Lindel Hume;
Sen. Frank Mrvan; Rep. Dennis Avery; Rep. Ed Mahern; Rep. Jack
Lutz; Rep. Richard Mangus; Rep. Matt Whetstone.

Sen. Zakas, Chair of the committee, called the meeting to order and introduced the members of the committee.

Continuing Education Requirements for Occupations Regulated by the Professional Licensing Agency

Professional Licensing Agency

The Chair called on Kim Tarnacki, Deputy Director of the Professional Licensing Agency to provide information on continuing education requirements for professions regulated by her agency. Ms. Tarnacki distributed a list (Attachment A) of the 13 professional boards her agency serves and the six professions that require continuing education. The agency audits about 1% of the people renewing their license to verify compliance with the continuing education requirements. On average, about 4% of the people being audited fail to provide documentation indicating they completed the required continuing education courses. Jerry Quigley, Director Professional of the Licensing Agency, stated that a hearing is required if the audit shows the continuing education requirements are not met. The person may then lose their license.

Mr. Quigley stated that an employer may provide continuing education courses if the course is not held in the company's office. Ms. Tarnacki commented that a person can become inactive in

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their profession and not be required to attend continuing education classes, but the person must complete the continuing education requirements before the license can be reactivated.

Rep. Mangus asked if the required hours are set by rule or statute. Ms. Tarnacki replied that continuing education hours are set by statute.

Rep. Avery stated that current law provides four-year licensure for barbers and cosmetologists and allows the boards served by the Professional Licensing Agency to grant four-year licenses for other professions. Rep. Avery asked if other professions had requested the four-year licenses. Ms. Tarnacki stated that no professions had requested a change to a four-year license.

The committee discussed the need and reasons for continuing education requirements. Items discussed included:

- Whether the professions that do not require continuing education requirements are less able to serve the public than those with continuing education requirements.
- Continuing education was started to protect consumers.
- Continuing education is used to protect the profession and limit the number of people in the industry.
- Continuing education requirements tend to drive part-time people from the profession.
- Sometimes people receive credit for attending courses they did not complete. The person shows up at the start of the course and registers but leaves before the course starts. The certificate is then mailed to the person.
- Legislators have heard complaints about the cost and locations of offered courses.
- The 120-hour requirement for accountants over four years is substantially greater than the number of hours required in most other professions.

Ms. Tarnacki stated that courses are investigated for compliance when a complaint is filed. The agency can fine the course provider up to \$1,000 per violation.

Certified Public Accountants(CPAs)

The Chair then called on Gary Bolinger of the Indiana CPA Society. The Society represents 85% of CPAs. Indiana's requirement is consistent with 49 other states. Continuing education is needed since the profession has changed dramatically over the years. Credit can be earned in house and up to 50 hours can be earned through self study. Self study courses generally have a testing requirement by the provider of the course. His organization is a provider of continuing education and serves less than half of the CPAs. The majority of people exceed the continuing education requirements. Senator Hume asked why CPAs need so much more continuing education hours than other professions. Mr. Bolinger was not sure why other professions do not require more hours, but there was a need for the 120 hours over four years for CPAs.

Auctioneers

The Chair next asked if a representative of the auctioneer's profession was present. No person was present to testify.

Cosmetologists

The Chair next called on Candy Knight of the National Cosmetology Association of Indiana to testify. Cosmetologists are required to have 16 hours of continuing education every four years. She operates a school and provides continuing education courses. Her association also offers courses and charges about \$85 for the required 16 hours. Eight hours are required courses and eight hours are elective courses. Continuing education is needed because cosmetologists work with dangerous chemicals that must be handled properly. She has some health problems due to overexposure before the dangers were known. People attending her classes register at the start of class and receive their certificates at the end of class. Rep. Avery asked why barbers have no continuing education requirements but cosmetologists do have the

requirement. She responded that barbers do not use the same dangerous chemicals as her profession.

Funeral Professions

The Chair asked if a representative of the funeral profession was present. Nobody was present to testify.

Real Estate and Appraisers

The Chair next called on representatives of the real estate and appraiser professions to testify. Rep. Mahern provided written testimony (Attachment B) by Karl Berron, Vice President of Government Relations for the Indiana Association of Realtors, Inc. The Chair called on Dick Nichols of Indiana Professional Appraisers. Mr. Berron stated that the 28-hour requirement is consistent with other states. They have discussed a 4-year license but do not have a position on the issue. Correspondence courses are not currently allowed, but they are looking at distance learning. Mr. Berron stated federal laws also prescribe requirements for appraisers doing business with federally insured banks.

In response to a question concerning the need for state regulation, Mr. Nichols said that mortgage brokers can also appraise but are not affected by the federal requirements. The federal requirements do not apply to all appraisers.

Continuing Education through Distance Learning

Rep. Whetstone stated that the charge from the Legislative Council was to study the possibility of requiring not less than one-half of certain continuing education units to be earned from distance learning. The resolution proposed by Senator Robert Meeks allows one-half of the continuing education requirements be earned from distance learning, but does not require it.

The Chair called on Sen. Johnson to discuss the status of using technology to provide continuing education. Sen. Johnson stated the ability to utilize technology to provide education is changing rapidly. The state has connected to each county in the state to the state's computer network. Programs can be delivered to an individual's computer and full motion conferencing is available to connect classrooms together. Distance learning is a real possibility. The way courses are developed and monitored may have to change. Sen. Meeks stated that the Law Enforcement Training Network has used distance learning and it has worked very well. Jerry Quigley, Director of the Professional Licensing Agency, stated that his agency has not approved distance learning courses at this time but has seen a presentation. The committee discussed the need for legislative action.

Predatory Lending

The Chair called on Rep. Avery to discuss his resolution on predatory lending. Rep. Avery provided three newspaper articles (Attachment C) from the Evansville Courier & Press on predatory lending. Kathy Muller of the HOPE Homeownership Center brought the issue to him. People with low income were contacting her about problems with home loans. Some appraisers were appraising homes for more than 125% of their actual value. Rep. Avery also provided the committee with examples of Illinois proposed legislation (Attachment D) on predatory lending.

Chairman Zakas called on Ms. Muller to discuss the topic. Her Center provides inspections, rehabilitation, and affordable financing consultation. She stated that 28% of all loans to African-Americans are predatory loans and that 80% of the loans result in foreclosure. Ms. Muller shared an example of a woman that was contacted by a telemarketer to purchase a \$29,000 home. The home was worth \$20,000. Closing documents showed she had brought \$5,000 as a down payment on the house. In fact, she had brought no money. The fictitious \$5,000 was needed to obtain the loan so the home was over appraised. Within a year she was called by a

telemarketer about obtaining a loan. She now owes \$40,000 on the \$20,000 home. Sometimes when an adjustable rate mortgage price is quoted, it does not include taxes. Ms. Muller stated that predatory loans would not be possible except for inflated or false appraisals. Appraisers that overstate or falsify an appraisal may be out of business before anyone discovers the problem. She stated that a concerted effort is needed to educate the public on purchasing homes.

The Chair next called on Lu Porter, representing the Best Practices Committee in Evansville. Ms. Porter works at the Integra Bank in Evansville. The committee has worked at defining and profiling a predatory lender. The opposite of predatory lending is termed "best practices". The committee has developed a "best practices" definition for marketing homes and lending. An informed customer and one with options is in the best position to make the proper choice.

Senator Mrvan stated that in some instances the only option a person may have is the use of a predatory loan to get out of debt and sometimes it works. Not all telemarketers are predatory lenders. Legitimate banks do telemarketing. Rep. Mahern stated that the state cannot monitor bad judgment or stupidity by individuals, but the state should concentrate on fraudulent actions. Currently, a person has to go to the local prosecutor or the state if fraud is involved. The Chair requested staff to review the state's statutes on fraud to ascertain what laws might apply. Jerry Quigley stated that his office has only three investigators to investigate complaints for all 13 professions. If an appraiser is involved in fraud, the case is turned over to the Attorney General's office. If the Attorney General's office proceeds with the case, a hearing will be held to determine revocation of the license. He was not aware of the problems in Evansville, but had heard about predatory lending two months ago at a meeting.

The Chair requested staff to have a representative of the Attorney General's office attend a future meeting to discuss the issue.

The Chair next called on Mark Raitermann, real estate appraiser, to testify on the appraiser's role in predatory lending. Mr. Raitermann has 22 years of appraisal experience, publishes an appraiser newsletter, and operates an appraisal school. He has also been hired by the Federal Bureau of Investigation to investigate other appraisers. He estimates that 90-95% of appraisers do a good job. He has turned in a dozen appraisers, some of whom are still appraising property. All lenders are required to review the appraisal and question the appraiser if an appraisal seems high. Investigation of appraisers is time consuming. He mentioned that maybe the state police should be involved in investigations.

The meeting was adjourned about 1:30 pm.